

## Message Text

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ORIGIN ABF-01

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E.O. 11652: N/A

TAGS: AGAO, EMIN, AR

SUBJECT: GAO REVIEW: "ASSESSMENT OF THE INCREASING RELIANCE OF U.S. MANUFACTURERS ON FOREIGN PROCESSED MATERIALS"

1. THE GAO HAS INFORMED THE DEPARTMENT THAT SUBJECT REVIEW WHICH HAS BEEN IN PROGRESS AT U.S. GOVERNMENT AGENCIES AND PRIVATE COMMERCIAL FIRMS, WILL BE BROADENED TO INCLUDE THE TRANSMISSION OF SPECIFIC QUESTIONS TO SELECTED OVERSEAS POSTS IN LATIN AMERICA AND EUROPE. PURPOSE OF THESE INQUIRIES WILL BE TO OBTAIN COMPARATIVE INFORMATION AS TO WAYS FOREIGN GOVERNMENTS ARE INFLUENCING INVESTMENT DECISIONS FOR MINING AND MINERAL PROCESSING FACILITIES IN THE ALUMINUM, COPPER, FERROALLOY, AND ZINC INDUSTRIES.

2. THE GAO WOULD APPRECIATE THE POST'S ASSISTANCE IN  
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OBTAINING ANSWERS TO THE FOLLOWING QUESTIONS AS THEY APPLY TO SA COPPER AND FERROALLOY (PROCESSED CHROME, MANGANESE AND SILICON) INDUSTRIES. THE GAO WOULD LIKE TO RECEIVE THIS INFORMATION BY OCTOBER 30 SO THAT IT CAN BE INCORPORATED INTO ITS WORLD-WIDE SURVEY REPORT. TO FACILITATE THE TRANSMISSION AND DELIVERY OF THE REQUESTED DATA, IT IS RECOMMENDED THAT THE POST USE AIRGRAMS OR CABLES AND

AIRPOUCH MATERIALS TO THE DEPARTMENT ADDRESSED TO THE GAO LIAISON STAFF OFFICE, A/BF/OAG, ROOM 4253. THE GAO AND THE DEPARTMENT ARE WELL AWARE OF PRESENT COMMITMENTS ON THE MINERALS ATTACHE AND HIS STAFF BUT BELIEVE IT IS DESIRABLE TO APPRISE THE POST OF THE GAO REQUEST AS EARLY AS POSSIBLE SINCE SOME OF THE DATA MAY BE READILY AVAILABLE OR CAN BE COORDINATED WITH ONGOING WORK IN THE SAME FIELD.

-- A. HOW DOES THE SA GOVERNMENT VIEW THE FUTURE OF THE COPPER AND FERROALLOYS INDUSTRIES? WHAT CHANGES HAVE OCCURRED IN RECENT YEARS? WHAT IS PLANNED FOR THE FUTURE, ESPECIALLY REGARDING INCREASED METAL PROCESSING?

-- B. WHAT IS THE GOVERNMENT'S ROLE IN THE COPPER AND FERROALLOYS INDUSTRIES? ARE THERE GOVERNMENT OWNED COPPER OR FERROALLOY OPERATIONS? WHAT IS THE RELATIONSHIP BETWEEN EMPLOYMENT, FOREIGN EXCHANGE AND TRADE POLICIES, AND THE LEVEL OF COPPER AND FERROALLOY PRODUCTION? HOW DOES THE LOCAL CONTENT LAW AFFECT THE COPPER AND FERROALLOY INDUSTRIES?

-- C. HOW DO COMPANIES OBTAIN FINANCING FOR MINING AND PROCESSING PROJECTS? WHAT HELP DOES THE GOVERNMENT PROVIDE? WHAT ARE THE ROLES OF THE IDC AND THE DEVELOPMENT CORPORATIONS IN THE BLACK HOMELANDS?  
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-- D. WHAT TAX POLICIES (DEPLETION, ALLOWANCES, DEPRECIATION, AMORTIZATION, ETC.) ENCOURAGE DEVELOPMENT IN THE MINING AND MINERAL PROCESSING INDUSTRIES? WE UNDERSTAND THAT IN 1976 MINING COMPANIES (OTHER THAN THOSE ENGAGED IN DIAMOND AND CERTAIN COPPER OPERATIONS) COULD DEDUCT UP TO 120 PERCENT OF THE COST OF MACHINERY AND 115 PERCENT OF THE COST OF BUILDINGS IN THE YEAR IN WHICH EXPEDITURES ARE MADE. WHAT TYPE OF COPPER OPERATIONS ARE NOT EXCLUDED? ARE THESE INCENTIVES STILL IN EFFECT AND HAVE THEY BEEN IMPROVED? ARE THE TAX POLICIES, REGULATIONS, GENERAL TAX INCENTIVES, AND SPECIAL INCENTIVES FOR BLACK HOMELANDS AREAS, AS DISCUSSED IN "SOUTH AFRICA, A GUIDE TO FOREIGN INVESTORS, 1976," STILL IN EFFECT? HAVE ANY ADDITIONAL INCENTIVES/ALLOWANCES TO ENCOURAGE MINING AND MINERAL PROCESSING BEEN IMPLEMENTED? DURING THE LAST THREE YEARS, WHICH COPPER AND FERROALLOY PRODUCERS HAVE TAKEN ADVANTAGE OF THE SPECIAL CONCESSIONS TO MANUFACTURERS AND/OR ADDITIONAL INCENTIVES FOR LOCATION IN THE BLACK HOMELANDS AS DISCUSSED IN "SOUTH AFRICA A GUIDE TO FOREIGN INVENTORS, 1976?" WHAT CONCESSIONS/INCENTIVES DID THESE COMPANIES RECEIVE? IN PARTICULAR, WHAT CON-

CESSIONS WERE AVAILABLE/RECEIVED BY TUBATSE FERROCHROME?

-- E. WHAT IS THE GOVERNMENT'S ATTITUDE CONCERNING EXPORT AND IMPORT TARIFFS WITHIN SAG AS WELL AS THOSE OF OTHER COUNTRIES AS THEY INFLUENCE INVESTMENT DECISIONS FOR COPPER AND FERROALLOY PROCESSING FACILITIES?

-- F. DO SA GOVERNMENT REGULATIONS CONSTRAIN FORMATION, SIZE, CORPORATE STRUCTURE, ETC., OF MINING VENTURES? WHAT INTERRELATIONSHIPS EXIST BETWEEN THE FERROALLOY COMPANIES--PARENT/SUBSIDIARY RELATIONSHIPS, TIES WITH THE IRON AND STEEL INDUSTRY, ETC.?

-- G. WHAT ENVIRONMENTAL (AIR AND WATER QUALITY, LAND LIMITED OFFICIAL USE

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USE RESTRICTION, RECLAMATION, ETC.) STANDARDS MUST BE CONSIDERED BY COMPANIES ENGAGED IN MINING AND PROCESSING COPPER OR FERROALLOYS? HOW MUCH DO THEY COST? HOW ARE THEY PAID FOR? ARE THE STANDARDS APPLIED TO ALL FACILITIES OR JUST NEW OPERATIONS? ARE THE STANDARDS WAIVED AND/OR LESS STRINGENT IN UNPOPULATED AREAS? IS DISPERSION CONSIDERED AN ACCEPTABLE/VIABLE METHOD OF MAINTAINING AIR QUALITY?

-- H. WHAT STANDARDS CONTROL WORKER SAFETY? ARE THE STANDARDS IMPOSED BY GOVERNMENT OR LABOR UNIONS? HOW COSTLY ARE THEY? WOULD THEY LIKELY INFLUENCE INVESTMENT DECISIONS IN THE COPPER AND FERROALLOY INDUSTRIES?

-- I. HOW HAVE ENERGY SHORTAGES OR HIGHER COSTS AFFECTED THE GROWTH IN COPPER AND FERROALLOYS PROCESSING? HOW DOES ENERGY SUPPLY AFFECT DECISIONS TO EXPAND OR BUILD PROCESSING FACILITIES? WHAT IS THE ROLE OF ESCOM? DOES THE GOVERNMENT PROVIDE LONG RANGE ENERGY COMMITMENTS TO FERROALLOY PRODUCERS? DO FERROALLOY PRODUCERS RECEIVE MORE FAVORABLE RATES THEN OTHER INDUSTRIAL USERS OF ELECTRICAL ENERGY?

3. ALSO, PLEASE PROVIDE A COPY OF THE ADDRESS BY THE PRESIDENT OF THE CHAMBER OF MINES OF SOUTH AFRICA PRESENTED AT THE 88TH ANNUAL MEETING AND IDENTIFY ANY AIRGRAMS OR OTHER MATERIALS PREPARED BY THE POST DEALING WITH ISSUES MENTIONED ABOVE WHICH HAVE BEEN SUBMITTED TO THE DEPARTMENT.

4. IT IS THE DEPARTMENT'S POLICY TO BE OF ASSISTANCE TO THE GAO AND TO BE AS HELPFUL AS POSSIBLE WITHIN THE GUIDELINES OF 4 FAM 930-934. ANY QUESTIONS OR PROBLEMS LIMITED OFFICIAL USE

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THAT SHOULD ARISE DURING THE COURSE OF THIS EFFORT,  
PARTICULARLY REGARDING GAO ACCESS TO INFORMATION AND  
RETENTION OF DOCUMENTS SHOULD BE REFERRED TO THE DEPART-  
MENT. NEWSOM

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